

**BRUCHEZ, GOSS, THORNTON,
MERONOFF & HAWTHORNE**

A Professional Corporation
ATTORNEYS AT LAW
4343 Carter Creek Pkwy, Suite 100
Bryan, Texas 77802
(979) 268-4343
FAX: (979) 268-5323

ERNEST V. BRUCHEZ

Board Certified – Oil, Gas and Mineral Law
Texas Board of Legal Specialization

JAY B. GOSS

Board Certified – Civil Trial Law
- Personal Injury Trial Law
Texas Board of Legal Specialization

**PATRICIA E. MERONOFF
WILLIAM S. THORNTON, JR.
KYLE HAWTHORNE
RANDALL S. BOND**

December 5, 2000

Via Hand Delivery

Mayor Lynn McIlhaney
c/o Kim Foutz
City of College Station
P.O. Box 9960
College Station, Texas 77842

RE: Economic Development and Tax Abatement Agreements; STATA Corporation.

Dear Mayor McIlhaney:

This law firm represents STATA Corporation ("STATA"). In 1999, STATA entered into two agreements with the City of College Station. The first was an Economic Development Agreement and the second, a Tax Abatement Agreement (the "Agreements"). The Agreements set forth certain performance standards which must be met by STATA in order to qualify for tax abatement and to be eligible for a transfer of real property to it for building purposes. This letter is to request an amendment of the Agreements.

The performance standard currently at issue regards STATA's obligation to build a building with a minimum size of 10,000 sq. feet at a cost of One Million Dollars (\$1,000,000.00) and to employ eight employees with a gross payroll of \$411,520.00. STATA is in compliance with the employment requirements. It is also, technically, in compliance with the Tax Abatement Agreement, which requires that STATA construct and place capital improvements, furniture, appliances, and equipment on the premises in the sum of One Million Dollars (\$1,000,000.00) no later than January 1, 2001. The Economic Development Agreement has that same square footage and dollar requirement, but the language in that Agreement also requires occupancy of the building by December 31, 2000. STATA has been diligent in the initial phase of construction but has nevertheless experienced significant delays in the completion of its building. The building that is under construction for STATA will have a total square footage of 18,800 sq. feet and will have a total value, upon completion, of \$1,822,308.00. However, because of the early construction delays, this building will not be complete and ready for occupancy until January 20,

2001, according to the builder's estimates. This is approximately a 20-day default that can have serious repercussions to STATA which has come close to meeting and will exceed its obligation by constructing a building that is 8,800 sq. feet larger and approximately \$823,000.00 more expensive than is required of STATA, according to the Agreements.

With the foregoing facts, this letter is to request that the City agree to certain amendments to the Agreements. First, it is requested that the date by which the Capital Investment must be in place for Phase One, and the building occupied, be changed from January 1, 2001 to February 28, 2001. Although this date exceeds the projected completion date, because of past performance in construction, the additional time is being requested as a precaution.

STATA also is requesting that the City alter the years in which it will receive tax abatement. The taxes accruing to STATA Corporation for the year 2000, on which it gets a 70% abatement, are negligible. However, taxes for the year 2001 will be substantial based upon the completion of the building. Therefore, it is asking the City to advance its years of tax abatement such that it will receive the same percentage tax abatement, but just one year later, so that in the year 2001 it will receive 70%, 2002 – 70%, 2003 – 60%, 2004 – 50%, 2005 – 40%, 2006 – 30%, 2007 – 20%, and 2008 – 10%. This will permit STATA to realize the benefit of its bargain. This also comports with State Law.

STATA is not requesting any changes to the dates for future phases as it believes that those dates are still consistent with its construction time table.

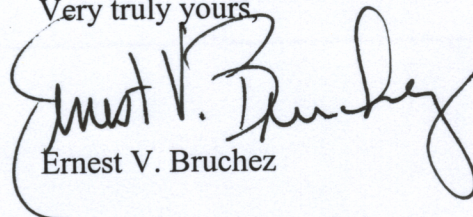
Finally, STATA also wishes to add language to the Agreements relative to employment requirements. STATA, by reason of its particular business, often is looking for new and talented individuals in its field of expertise. One way STATA has been able to satisfy the need for top quality employees is to hire individuals employed with various Universities, who then work for STATA for an extended period of time on a sabbatical. These individuals often move into the community with their families and provide all of the economic benefits to the City that any other typical employee would provide. However, STATA is required to pay that individual employee's salary directly to the University from which that individual is on sabbatical. That University then pays that individual's salary. STATA often is required to pick up moving expenses and other costs for that family to live in the area, but these costs are not considered direct salary. The problem is that these salary figures are not reported to the TEC in its Quarterly Report because they are paid to the appropriate University. Nevertheless, STATA is employing this individual, usually a highly paid individual, and is providing the economic benefit the City desires and which forms the basis of its grants of economic benefits to STATA. STATA purposes to amend its Agreement so that it can include, in the calculation as to whether or not it is abiding by its employment requirements, these individuals that are so important to STATA's operation.

STATA requests that the City consider and approve these amendments. If the City is in agreement, the documentation, making these amendments to the Agreements, can be executed in January, 2001. If City Council is not in agreement with all these requests, STATA requests that at a minimum, it extend the Capital Investment performance date to February 28, 2001, as the

consequences are severe for a failure to meet a deadline by 20 days, especially in light of the fact the dollar amount of the investment exceeds what is required by the contract.

If you have any questions regarding what is being requested or performance by STATA, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ernest V. Bruchez". The signature is fluid and cursive, with a large loop at the end.

Ernest V. Bruchez

98-3064:EVb/tdw

cc: Roxanne Nemcik
Bob Malaise
Bill Gould